



March 27, 2007

**SUBJECT: Onizuka Air Force Station Conceptual Reuse Options for
Base Realignment and Closure - DRAFT****REPORT IN BRIEF**

This report presents five conceptual reuse options recommended by staff for further, more focused consideration in the transition of Onizuka Air Force Station to civilian use. The Local Reuse Authority's (LRA) selection of these options concludes Phase I of the Base Realignment and Closure (BRAC) process for preparing the Onizuka Reuse Plan. Phase II analysis will enable the LRA to develop a final reuse plan for submission to the Department of Defense (DoD).

These five options emerged from a statutory process in which the LRA considered: 1) the City's existing plans, policies and zoning; 2) the property's past uses, current conditions and environmental issues; 3) site-specific goals and objectives; and 4) the Federal mandate to balance needs for homeless housing and mitigating the economic and employment impacts of Onizuka's closure. The five proposed reuse options are listed below (in no priority order):

1. Low Density Office and the Department of Veterans Affairs (VA) Site:

This "base line" option accepts VA occupancy of the headquarters offices with a possible reconfiguration of the VA's 1.53 to 2.41 acre site, and envisions the 16.59 acre remainder of the parcel at the VA density standard of 35% Floor Area Ratio. In Phase II staff plans to evaluate the effect of VA's office alternatives on each reuse option.

2. Corporate Headquarters: The corporate headquarters office option provides a consistent design at potentially higher density over the entire site in an effort to incorporate VA offices in a "landmark quality" building.

3. Hotel Conference Center: This option consists of a new, five star hotel, interior restaurant, bar, and possible conference facilities, over the entire site to provide diversified tax revenues and business support services.

4. Automotive Retail Center: This option may include new, retained or expanded auto retail outlets, and assembly of adjacent properties, to generate significant sales tax revenues and reduce mid week traffic impacts on the area.

5. Homeless Housing/Services: The homeless housing concept acknowledges an extraordinary, one-time opportunity for the LRA to help facilitate a *no-cost*

homeless assistance conveyance for one or two homeless housing developments: 125 new housing units on 4.2 acres and/or 120 new housing units and a service center on 3 acres of land. Prior on-site uses, current conditions, adopted plans and land use regulations do not support residential reuse of any kind. However, by retaining homeless housing as a reuse option during Phase II, the City may explore opportunities to leverage Onizuka stakeholder interests for homeless housing strategies.

In each of these options the final or preferred scenario could be one in which a developer would accommodate the VA on-site in a new building, in another location acceptable to VA, or conceivably, co-exist with the VA site without negative impacts. Subject to DoD Office of Economic Assistance (OEA) funding, staff plans to explore these possibilities by analyzing each reuse option with and without the VA site. VA's participation in any reuse option remains voluntary, as does its compliance with City development standards or its consideration for Air Force land values and City revenues.

The options noted in this report explore VA's accommodation in privately-owned offices on site (or in public or private offices elsewhere). In Phase II of the BRAC process, each option will be carefully evaluated. Some preliminary advantages and disadvantages of each option are noted in this report. Land value to the Air Force is included as an "advantage" to the City because it is one indicator of potential future sustainable revenue streams to the City, and as such is consistent with the primary purpose of the reuse plan: to mitigate the economic impacts of base closure.

Other land use options, such as public uses (parks, City offices, museums or schools, antenna reuse, etc.) are not included among reuse options. No "Notice of Interest," was submitted on behalf of any public uses other than homeless housing. Stakeholders expressed opposition to public uses during scheduled Citizen Advisory Committee meetings on goals and objectives. Other potential reuse options, such as residential, are not consistent with prior uses, current conditions, resident consensus and/or the Moffett Park Specific Plan.

On March 21, 2007 the Citizen Advisory Committee reviewed this report ...

BACKGROUND

The major steps in the base redevelopment process under the 2005 Base Realignment and Closure (BRAC) process are:

1. The President's approval of the BRAC Commission recommendations which was completed in 2005. (Completed)

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2. Federal screening for potential federal agency reuse which resulted in a formal "Expression of Interest" by the Department of Veteran's Affairs and the Air Force's approval of the application in 2006. (Completed)
3. The Department of Defense (DoD) recognition of the City of Sunnyvale and the City Council as the Local Reuse Authority. (Completed)
4. The LRA's outreach by advertisement for Notices of Interest (NOIs) from homeless service providers, State and Local governments which concluded with the receipt of two NOIs for homeless housing. (Completed)
5. Completion of the Redevelopment Plan and the Homeless Assistance Submission. The LRA's action to approve reuse options concludes the LRA's Phase I and begins Phase II, the analysis of options. Phase II ends with the LRA's submission of the Plan to the Department of Housing and Urban Development (HUD) and DoD. (Pending)
6. Review by HUD of the redevelopment plan, the homeless assistance submission and public comments. (Pending)
7. Military's disposal of the buildings and property upon completion of its environmental review. This step includes LRA negotiation of the final plan and disposition with the Air Force and key stakeholders. (Pending; statutory deadline is 2011)

When DoD recognized the Sunnyvale City Council as the Local Redevelopment Authority (Step 3) it assigned the LRA authority to address land use, property and environmental conditions, and to formulate reuse options for evaluation in determining the preferred option and preparing the final reuse plan (Steps 4 and 5) and negotiating the implementation (Steps 6 and 7).

In October and December 2006 the Citizen Advisory Committee (CAC) and LRA reviewed the existing City policies, goals and objectives that would govern and guide the reuse of Onizuka AFS. The review included planning factors specific to the area and to the site, and addressed policies and regulations codified in the Moffett Park Specific Plan. New goals and values proposed by the CAC were also incorporated into LRA deliberations.

On January 30, 2007, as required by BRAC regulations, the CAC and LRA reviewed a preliminary accounting of past land uses as well as current property and environmental conditions. This review enumerated conditions constraining Onizuka's transition to civilian reuse in partial fulfillment of the LRA's mandate to weigh and "balance" community needs for economic redevelopment with the needs of the homeless for housing.

The Local Reuse Authority's selection of potential reuse options will conclude Phase I of the Base Reuse and Closure (BRAC) process for preparing the Onizuka Reuse Plan. These five conceptual reuse options are "finalists" to be

scrutinized during Phase II. The Phase II analysis will enable the LRA to evaluate the preferred option for submission to the Department of Defense at the end of Phase II.

EXISTING POLICY

➤ Legislative Management Sub-Element

Goal 7.3C: Participate in intergovernmental activities, including national, state and regional groups, as a means to represent the City's interests, influence policy and legislation, and enhance awareness.

The City also relies upon a consensus of community values that have been codified over time in the *City of Sunnyvale Policy Framework*. The elements of this Framework include the *City Charter*, *Municipal Code*, *General Plan*, and most relevant, recent, and detailed – the *Moffett Park Specific Plan* (MPSP) adopted in April of 2004. Prior meetings of the CAC and LRA reviewed applicable regulations of the General Plan, the MPSP and related zoning during meetings in October and December 2006.

DISCUSSION

The proposed reuse options that have emerged share certain qualities that respond to BRAC program goals:

- First, they mitigate the local and regional impact of closing Onizuka Air Force Station by creating new economic, employment, tax and enterprise benefits (except homeless housing).
- Conform to community consensus expressed during the formulation of existing area plans, policies and regulations (except VA-style low density offices and homeless housing) and consensus on new goals for this site.
- Reflect market demand for area properties expressed during developer and City contacts (except for VA-style low density offices and homeless housing).
- Represent a range of uses permitted under the Moffett Park Specific Plan, and the MP-I designation (except residential uses of any kind).

The reuse options incorporate these qualities in varying degrees and are representative of the range permitted under the Moffett Park Specific Plan's MP-I designation (except residential uses such as homeless housing). Each reuse option appears to exhibit different tradeoffs, some of which are

highlighted but warrant further analysis. Phase II analysis – while dependent upon favorable review by DoD's Office of Economic Assistance (OEA) – could help to calculate these, to gauge their implications for stakeholders, and to resolve their challenges.

I. LOW DENSITY OFFICES AND THE VA SITE

Description: The base line conceptual option is an office development that extends the density precedent established by Department of Veterans Affairs' two story offices throughout the remaining parcel. The low density office concept serves as a "base line" for comparison of VA site impacts with other options during Phase II analysis.

The "VA site" refers to the site that VA requested in their "Expression of Interest" which is a statutory "option to purchase." The VA site is identified on Attachment A, "Requested Onizuka Transfer Boundaries."

On December 7, 2005 the Air Force initiated the federal screening process in which the Air Force advertised Onizuka property as excess to other DoD branches through release of a "Notice of Availability." VA submitted an Expression of Interest to DoD. The VA-requested headquarters office is 50,560 SF, and the two storage buildings are 6,405 SF. The request was additionally approved for associated land of approximately 2 acres to include 100 surface parking spaces on 35,000 SF or 1.53 acres. The VA goal is to relocate 150 VA research and administrative staff from existing offices, preferably in 2008 when their offices are razed to correct seismic deficiencies.

The City's dilemma is that while it supports the objectives of the Department of Veteran Affairs, as it does homeless service agencies, it also understands that site configuration and retention of the existing building could affect, perhaps even *discourage*, developer interest essential to creating the 'highest and best use.' VA also recognizes that this site, like homeless housing sites, impacts the *value of the remaining parcel* to the Air Force:

- Subdivides the large Onizuka parcel into three distinct sites.
- Reduces the site's visibility by using valuable frontage on rights-of-way.
- Reduces the buildable area by acquiring 1.53 acres for surface parking spaces in lieu of using the existing parking garage.
- Transfers responsibility for structural demolition/disposal costs onto the remaining parcel and the Air Force in discounted value.
- Retains obsolete facilities on site thereby depressing the land value.
- Retains the *lowest* currently allowed development intensity – 35% Floor Area Ratio (FAR) – further reducing land value of the remaining parcel.

- Creates potential scheduling complexities with the VA's 2008 relocation, the Air Force's 2011 relocation, which may add to developer skepticism.

Low Density Office Trade-offs: The low density office reuse option may have some strengths and advantages for stakeholders:

- Does not increase the intensity of the use, increase environmental impacts nor trigger costly environmental mitigation.
- Accommodates VA office use with harmonious development on the remainder of the parcel.
- Retains the site's traditional public sector employment and may create funding opportunities for key infrastructure, site enhancements, etc.

Similarly the option has some weaknesses and disadvantages:

- Least mitigates economic and employment impacts of base closure.
- Retains dated government offices that affect remaining parcel.
- Generates no property taxes or other local revenues.

Despite these issues, the VA must move forward to exercise its option and complete its acquisition of the Onizuka headquarters. VA is constrained by its National budget which restricts it to BRAC-linked acquisitions only. In the meantime VA is prepared to consider other parcel boundary configurations. Also, VA is authorized to *leverage* other facilities – existing or new – on other City, developer or VA-owned properties *as long as the arrangement is BRAC-linked*. There is no simple roadmap or formula for resolving the challenges created by this arrangement. With OEA's Phase II funding, Staff plans to compare the reuse options with – and without – the VA's site and offices alternatives. The City, VA and the Air Force will scrutinize these comparisons to gauge their implications and resolve their challenges for stakeholders.

II. CORPORATE HEADQUARTERS OFFICE CONCEPT

Description: The corporate office option envisions new corporate “landmark quality” headquarters offices at a higher density to improve the prospect for feasibly incorporating VA offices.

Purpose: The purpose of this concept is to evaluate the feasibility and benefits of constructing high-end, landmark-quality corporate headquarters offices to incorporate VA, or to relocate VA off-site to maximize on-site private development and use.

Assumption: The development removes all existing facilities (including VA) and includes VA offices within a portion of new corporate offices built on site or at another location.

Corporate Headquarters Office Trade-offs: The corporate headquarters or high density office reuse option may have some strengths that create advantages for all stakeholders. Chief among these is that the “highest and best use” creates a higher sales price for the Air Force, a greater property tax revenue stream for the City, and more attractive offices for Veteran Affairs. Another potential advantage of corporate headquarters is that its architectural design could create a “landmark class” facility to enhance a key City entryway.

On the other hand, the corporate headquarters may not significantly diversify the local economic, employment and fiscal base compared to other options.

III. HOTEL/CONFERENCE CENTER

Description: The Hotel/Conference Center option provides Sunnyvale with a five star hotel and associated bar, restaurant and convention facilities.

Purpose: This option envisions a high intensity, landmark quality hotel and conference facility that would diversify business services and City revenues.

Trade-Offs in the Hotel/Conference Center Option: The Hotel Conference Center option exhibits some advantages for stakeholders:

- Addresses lack of highly rated (five star) hotel space in Sunnyvale.
- Serves existing firms by providing modern hotel and conference space.
- Hotel commercial architecture could create “landmark class” facility.
- Diversified tax benefit to City due to hotel tax (TOT), sales tax, etc.

A hotel project with convention/conference facilities, while often highly desirable, may be more susceptible to regional market conditions and economic fluctuations, and may be incompatible with on-site VA offices.

IV. AUTOMOTIVE RETAIL CENTER

Description: This option envisions an automotive retail sales center of new, relocated or expanded auto outlets possibly acquiring adjacent parcels.

Purpose: This concept responds to private sector inquiries, City business retention, expansion and attraction goals, and area revitalization opportunities.

Variation: This use may require assembly of a larger parcel to ensure desirable threshold of 40-50 acres as desired by most auto mall developers.

Automotive Retail Center Tradeoffs: Onizuka is the only available Sunnyvale parcel of suitable size and location to attract new or existing automotive retailers and potentially generate significant new City tax revenues. An environmental advantage is that traffic patterns for an auto mall would likely not contribute to the rush hour traffic congestion which is a significant issue addressed in the Moffett Park Specific Plan.

Potential disadvantages are that an Automotive Center may require up to 20 acres more land than Onizuka provides (and involve assembly of adjacent VA, public and private properties), and may be incompatible with on-site VA offices. Another consideration is that automotive retail facilities are not usually associated with the "landmark class" architectural design that the City might prefer for a visible entryway site.

V. HOMELESS SERVICES AND HOUSING

Description: The homeless housing concept is a no-cost homeless assistance conveyance for one or two homeless housing proposals which have been received for the site: a 125 unit development on 4.2 acres and/or a 120 unit and service center development on 3 acres. Attachment A, "Requested Onizuka Transfer Boundaries" identifies the location of homeless housing proposals.

Purpose: Staff proposes further analysis of this conceptual option during Phase II to explore strategies that might more equitably balance homeless housing needs with the City's economic and redevelopment needs. Staff believes that the final resolution of the NOIs should await formulation of the preferred option, a strategy to leverage homeless housing, and the City's negotiation of the final plan with the Air Force, Veteran's Affairs, the developer and homeless service providers.

Background: The LRA has taken several steps to ensure balance among homeless and other needs, including: reviewing the City's 2005-2010 Consolidated Plan on identified homeless needs; surveying and consulting with homeless service providers to identify needs and gaps in service; identifying homeless service providers' interest in the Onizuka property through the NOI process; evaluating the plans, policies, and regulations governing reuse; and reviewing the prior uses and current conditions that influence conversion to private use.

On December 5, 2006 homeless services providers submitted two Notices of Interest which LRA staff will evaluate during Phase II for presentation to the CAC and LRA. The analysis will result in formulating a proposed reuse plan

and homeless assistance submission explaining the City's strategy to address homeless housing needs.

Homeless Housing Option Tradeoffs: Nothing in the City's plans, policies, or regulations governing reuse, and nothing in the Onizuka AFS' prior uses or current uses, facility conditions or environmental conditions suggest that residential use would be appropriate for Onizuka. However, the site, and the deference shown in the Base Closure Community Redevelopment and Homeless Act of 1994 (the Redevelopment Act) to homeless housing and service agencies, create a number of potential trades-offs:

- Onizuka presents a unique, one-time, no-cost opportunity to acquire Federal land in Sunnyvale for homeless housing.
- Homeless housing is consistent with the City of Sunnyvale's adopted 2005-2010 Consolidated Plan.

However, there appear to be significant disadvantages to homeless housing:

- The no-cost disposal of 3.0 to 7.2 acres for non-profit homeless housing does not mitigate the economic impacts of Onizuka's closure.
- Homeless housing diminishes the site's value to the Air Force and City by subdividing it, eliminating frontage, and reducing its revenue potential.
- Adjacent homeless housing may not be compatible with VA offices.
- Residential use is incompatible with community consensus embodied in the MPSP, and with potential residents' distances to services.

FISCAL IMPACT

The fiscal impact of Onizuka reuse is the fundamental factor in mitigating the economic impact of its closure. It is not possible to accurately estimate the fiscal impact of Onizuka's redevelopment, except through economic, real estate, and market analysis of conceptual reuse options in preparation for the LRA adoption of the Plan. This selection of the conceptual options for further analysis is the next step in the selection of the preferred option and adoption of the reuse plan. There is no direct fiscal impact resulting from this report.

CONCLUSION

The five conceptual reuse options proposed for Onizuka represent opportunities and challenges for all the facility's stakeholders. The Phase II process of selecting the preferred option relies on objective information as the basis for negotiations and pragmatic decisions among the key stakeholders.

By selecting the reuse options for Phase II, the LRA will – subject to OEA funding of analysis – set the stage to:

- Identify the economic and employment impacts of Onizuka's closure

- Assess the economic and fiscal impacts of reuse options
- Facilitate reuse options, if any, which feasibly accommodate VA and other stakeholders (such as sponsors of homeless housing)
- Identify development intensity that facilitates highest and best use
- Create conditions for the successful marketing of the site
- Identify appropriate shares of mitigation and improvement costs
- More equitably balance needs for homeless housing with needs for economic recovery in considering the City's commitment to the homeless.

In summary, analysis of these reuse options will provide the information that the LRA needs for its mandated adoption of a reuse plan. The information will also facilitate the complex negotiations that are likely to follow, and help to ensure timely implementation.

PUBLIC CONTACT

The CAC is the primary venue of public contact under the BRAC process. The CAC reviewed this report on March 21, 2007. In addition, the City has an Onizuka web site (*Onizuka.InSunnyvale.com*) on which it regularly posts all reports to the CAC and LRA. The City also has a Communications Plan with established procedures for regular resident notification with web site updates.

Public contact has also been made through posting of the Council agenda in public places, on the City's web page, on KSUN, and by the publication of the general business/public hearing items in the *San Jose Mercury News*.

ALTERNATIVES

1. Approve the five reuse options presented in this report and initiate Phase II of the reuse planning process.
 - a. Low density or VA-style office development over the remaining parcel;
 - b. Corporate headquarters of a higher density over the entire parcel;
 - c. Hotel/conference center facilities over the entire parcel;
 - d. Automotive retail sales center on the entire parcel, possibly enlarged;
 - e. Homeless housing for up to 245 units on two sites up to 7.2 acres.
2. Do not approve the reuse options presented in this report.
3. Approve some of the reuse options presented in the report but do not approve others options presented, with or without conditions.
4. Approve other reuse options not presented in this report.
5. Other action as directed by the LRA.

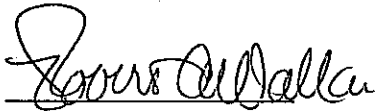
STAFF RECOMMENDATION

Staff recommends Alternative 1: Approve the five reuse options presented in this report and initiate Phase II of the reuse planning process:

- a. Low density or VA-style office development over the remaining parcel;
- b. Corporate headquarters of a higher density over the entire parcel;
- c. Hotel/conference center facilities over the entire parcel;
- d. Automotive retail sales center on the entire parcel, possibly enlarged;
- e. Homeless housing for up to 245 units on two sites up to 7.2 acres.

This alternative gives the City a range of choices that are responsive to changing market conditions, equitable in balancing redevelopment and homeless needs, and flexible for negotiating the optimum reuse plan. Initiating Phase II of the BRAC planning process will provide the LRA with the information needed to develop a Reuse Plan for submission to DoD.

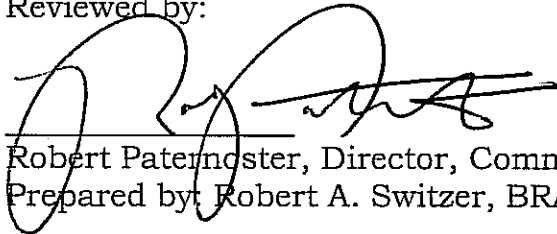
Reviewed by:



Robert Walker, Assistant City Manager

Prepared by: Robert A. Switzer, BRAC Project Manager

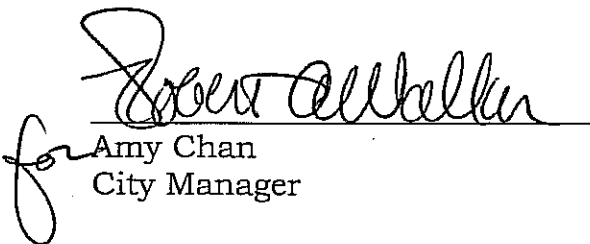
Reviewed by:



Robert Paternoster, Director, Community Development

Prepared by: Robert A. Switzer, BRAC Project Manager

Approved by:



for Amy Chan
City Manager

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Attachments: A. "Requested Onizuka Transfer Boundaries"

Requested Onizuka Transfer Boundaries

ATTACHMENT A

Veteran Affairs Application for Offices & Notice of Interest (NOI) in
Homeless Housing

